

## Message Text

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TO USMISSION NATO PRIORITY

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TAGS: PFOR, NATO, XF

SUBJECT: US CONTRIBUTION FOR NATO EXPERTS WORKING GROUP

REPORT ON THE MIDDLE EAST AND MAGHREB

REF: NATO 1079

LONDON FOR LAMBRAKIS AND PALMER

FOLLOWING IS US CONTRIBUTION FOR USE AT APRIL 14-17 WORKING  
GROUP MEETINGS OF NATO MIDDLE EAST EXPERTS:

### I. THE ARAB-ISRAELI CONFLICT

1. THE MAIN THRUST OF US MIDDLE EAST DIPLOMACY DURING THE  
PAST SIX MONTHS WAS INFLUENCED HEAVILY BY THE UNANIMOUS  
DECISION ADOPTED AT THE RABAT SUMMIT CONFERENCE DESIGNAT-  
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ING THE PALESTINE LIBERATION ORGANIZATION (PLO) AS THE SOLE,

LEGITIMATE REPRESENTATIVE OF THE PALESTINIANS. THIS ACT-  
ION EFFECTIVELY ELIMINATED ANY POSSIBILITY OF CONCLUDING AN

INITIAL AGREEMENT ON THE JORDANIAN-ISRAELI FRONT, A MOVE  
THAT LOOKED TO BE A LOGICAL DEVELOPMENT FOLLOWING THE SUC-  
CESSFUL IMPLEMENTATION OF DISENGAGEMENT AGREEMENTS IN SINAI  
AND GOLAN. THUS, US EFFORTS WERE DIRECTED TOWARD PREPARING  
THE GROUND FOR A FURTHER AGREEMENT BETWEEN EGYPT AND ISRAEL.

2. WHEN SECRETARY KISSINGER BEGAN HIS RECENT MIDDLE EAST  
SHUTTLE ON MARCH 7, IT WAS APPARENT THAT BOTH EGYPT AND  
ISRAEL WERE OPERATING UNDER DIFFICULT POLITICAL CONSTRAI-  
NTS; BUT BOTH SIDES APPEARED SUFFICIENTLY CONCERNED ABOUT  
THE CONSEQUENCES OF FAILURE TO REACH A NEW AGREEMENT TO  
MAKE AN ATTEMPT TO BRIDGE THE GAP IN THEIR POSITIONS  
WORTHWHILE. THROUGHOUT THE NEGOTIATIONS EGYPT SOUGHT TO  
OBTAIN ISRAELI WITHDRAWAL FROM SUFFICIENT TERRITORY IN  
SINAI TO JUSTIFY REACHING A SEPARATE AGREEMENT IN THE FACE  
OF PALESTINIAN AND SYRIAN OPPOSITION. FOR ITS PART,  
ISRAEL SOUGHT SUFFICIENT CONCESSIONS FROM EGYPT ON THE  
QUESTION OF NON-BELLIGERENCY TO JUSTIFY WITHDRAWAL FROM  
STRATEGIC AREAS. IN THE END, IT PROVED IMPOSSIBLE TO  
BRIDGE THE GAP BETWEEN EGYPT'S TERRITORIAL DEMANDS AND  
ISRAELI POLITICAL CONDITIONS.

3. FOLLOWING THE SUSPENSION OF EFFORTS TO ACHIEVE A NEW  
SINAI AGREEMENT, A PERIOD OF REASSESSMENT WAS NEEDED SO  
THAT ALL CONCERNED MIGHT CONSIDER HOW BEST TO PROCEED.  
ALTHOUGH BOTH SIDES APPEAR DESIREOUS OF KEEPING ALL DIPLO-  
MATIC OPTIONS OPEN, IT SEEMS CLEAR THAT THE FOCUS OF  
ATTENTION HAS SHIFTED TO MULTILATERAL DIPLOMACY, AT LEAST  
FOR THE PERIOD IMMEDIATELY AHEAD. SADAT HAS CALLED FOR  
THE EARLY RESUMPTION OF THE GENEVA TALKS. IN THE MEAN-  
TIME, IN A RESTRAINED AND STATESMANLIKE ADDRESS MARCH 29,  
SADAT SOUGHT TO REDUCE TENSIONS WHICH HAVE ARisen AFTER  
THE SUSPENSION OF THE SECRETARY'S MISSION.

A. NEGOTIATIONS

4. EGYPT. SADAT'S STAND IN THE SUSPENDED STEP-BY-STEP  
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NEGOTIATIONS WITH ISRAEL APPEARS TO HAVE ENHANCED HIS  
POPULARITY IN THE ARAB WORLD. EGYPTIAN MEDIA STRESS  
SADAT'S STEADFASTNESS IN REFUSING TO CONCLUDE A UNILATE-  
RAL POLITICAL SETTLEMENT WITH ISRAEL, IN REFUSING TO FORE-  
SWEAR EGYPTIAN INVOLVEMENT IN ANY FUTURE FIGHTING BETWEEN  
ISRAEL AND SYRIA, IN DEMANDING ISRAELI WITHDRAWAL ON ALL  
THREE FRONTS, AND IN SAFEGUARDING PALESTINIAN RIGHTS.

5. FOR THE TIME BEING, SYRIA, JORDAN, SAUDI ARABIA AND EVEN MANY PLO ELEMENTS ARE RELIEVED THAT EGYPT DID NOT SELL OUT THE ARAB "CAUSE", AND THEY APPARENTLY WELCOME EGYPTIAN EFFORTS TO COORDINATE ALL FACETS OF ARAB STRATEGY IN CONFRONTING ISRAELI "INTRASIGENCE AND ARROGANCE."

6. SADAT'S MARCH 29 SPEECH WAS MODERATE IN TONE AND INDICATED A WILLINGNESS TO CONTINUE EXPLORING VARIOUS PATHS TO PEACE. HE AGREED TO REOPEN THE SUEZ CANAL ON

NE 5, TO EXTEND THE UNEF MANDATE FOR THREE MONTHS BEYOND APRIL 24, AND TO SEEK A FORMULA WHEREBY ISRAEL MIGHT ACCEPT A PLO PRESENCE AT GENEVA.

7. SYRIA. SYRIA AGREED TO A SIX-MONTH EXTENSION OF THE UN DISENGAGEMENT OBSERVER FORCE ONLY SHORTLY BEFORE THE NOVEMBER 29 EXPIRATION DATE. ITS ACQUIESCENCE DEFUSED A HIGHLY VOLATILE SITUATION ALONG THE GOLAN FRONT, CREATED LARGEMLY BY UNCERTAINTY OVER THE FUTURE OF UNDOF. BOTH SYRIA AND ISRAEL BUILT UP THEIR FORCES IN THE AREA, AND, AMID SOVIET-INSTIGATED RUMORS THAT ISRAEL PLANNED TO ATTACK SYRIA ON NOVEMBER 17, TENSIONS REACHED DANGEROUS LEVELS.

8. PRESIDENT ASAD EVIDENTLY ENCOUNTERED STRONG OPPOSITION FROM WITHIN THE RULING BA'TH LEADERSHIP TO HIS DECISION ON UNDOF AND HIS POSITION ON PEACE SETTLEMENT EFFORTS. MINDFUL OF THESE PRESSURES, HE HAS BEEN RELUCTANT TO ASSOCIATE SYRIA TOO CLOSELY WITH EGYPTIAN ACTIONS. ALTHOUGH HE REALIZES THAT SYRIA MUST HAVE A FRUITFUL RELATIONSHIP WITH SADAT IN ORDER NOT TO BE TOTALLY ISOLATED, ASAD, TOO, IS BASICALLY MISTRUSTFUL OF EGYPT'S NEGOTIATING POLICY. SYRIA'S FEAR OF BEING LEFT WITH AN EMPTY

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BAG IF SADAT NEGOTIATED ANOTHER DISENGAGEMENT AGREEMENT WITH ISRAEL LED TO A STRONG PROPAGANDA AND DIPLOMATIC EFFORT AGAINST ANY UNILATERAL EGYPTIAN COURSE.

9. BEFORE SECRETARY KISSINGER'S DEPARTURE FOR THE MIDDLE EAST IN EARLY MARCH, SYRIAN FOREIGN MINISTER KHADDAM TOURED MANY ARAB STATES, INCLUDING SAUDI ARABIA, WITH A LETTER FROM ASAD. HE CRITICIZED THE SEPARATE AGREEMENT APPROACH AND REPEATED SYRIA'S DEMAND FOR RECONVENING THE GENEVA CONFERENCE. SYRIA ITSELF, HE SAID, WOULD NOT AGREE TO A SECOND-STAGE DISENGAGEMENT PACT UNLESS ISRAELI WITHDRAWALS WERE MADE ON ALL THREE FRONTS.

10. IN A NATIONWIDE ADDRESS ON MARCH 8 MARKING THE 12TH ANNIVERSARY OF THE BA'THI REVOLUTION, ASAD PROPOSED THE

FORMATION OF JOINT SYRIAN-PLO POLITICAL AND MILITARY COMMANDS. BY DOING SO, HE REINFORCED SYRIAN PROTECTION OF PALESTINIAN RIGHTS AND REMINDED ALL CONCERNED, INCLUDING EGYPT, OF THE NECESSITY FOR PLO REPRESENTATION AT GENEVA. HIS MOVE PROBABLY ALSO REPRESENTED A SYRIAN EFFORT TO GAIN GREATER CONTROL OVER PALESTINIAN AFFAIRS. THE PLO SUBSEQUENTLY ACCEPTED ASAD'S PROPOSAL, BUT IT IS NOT CLEAR WHAT PRACTICAL EFFECT CLOSER SYRIAN-PLO COOP-

ERATION, IF ACHIEVED, WOULD HAVE IN EITHER THE POLITICAL OR MILITARY FIELDS.

11. UNDOF'S MANDATE FOR RENEWAL COMES UP AGAIN ON MAY 29. ALTHOUGH EGYPT HAS ALREADY AGREED TO A THREE-MONTH EXTENSION OF UNEF, IT IS BY NO MEANS CERTAIN THAT SYRIA WILL FOLLOW ITS EXAMPLE, PARTICULARLY IF PROGRESS TOWARD RECONVENING THE GENEVA TALKS HAS NOT BEEN MADE.

12. JORDAN. KING HUSAYN CONTINUES TO INSIST THAT THE RABAT DECISIONS MAKE IT UNNECESSARY FOR JORDAN TO PARTICIPATE IN THE GENEVA CONFERENCE. IN SPITE OF SUGGESTIONS MADE DURING THE MARCH VISIT OF AMBASSADOR VLADIMIR VINOGRADOV, SOVIET REPRESENTATIVE TO THE GENEVA CONFERENCE, HUSAYN REITERATED THAT ONLY A REQUEST BY THE ARAB STATES AND PLO COULD CHANGE HIS POSITION.

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13. HUSAYN HAS FIRMLY OPPOSED REESTABLISHMENT OF A FEDAYEEN PRESENCE IN JORDAN WHICH WOULD SERVE AS A BASE FOR COMMANDO RAIDS INTO ISRAEL. HE HAS BLOCKED ATTEMPTS TO INFILTRATE JORDAN, AND THERE ARE REPORTS THAT FEDAYEEN

HAVE SUFFERED CASUALTIES IN CLASHES WITH JORDANIAN SECURITY FORCES. AS A RESULT, IT IS UNLIKELY THAT PLO-JORDANIAN RELATIONS WILL IMPROVE IN THE NEAR FUTURE.

14. RELATIONS WITH THE USSR HAVE IMPROVED FOLLOWING THE STRAIN WHICH DEVELOPED LAST FALL. VISITS BY VINOGRADOV AND A SUPREME SOVIET DELEGATION DURING MARCH HAVE IMPROVED THE ATMOSPHERE, BUT NOT CHANGED THE SUBSTANCE OF WHAT ARE ESSENTIALLY DISTANT RELATIONS. A SIGNIFICANT DEVELOPMENT IN JORDANIAN DEALINGS WITH THE COMMUNIST COUNTRIES WILL BE THE VISIT OF PRESIDENT CEASESCU TO AMMAN IN APRIL.

16. SAUDI ARABIA. THE RECENT CHANGE OF LEADERSHIP IN SAUDI ARABIA IS UNLIKELY TO DIMINISH AID TO THE ARAB FRONTATION STATES. ALTHOUGH KING KHALID AND PRINCE FAHD DO NOT SEE THEMSELVES AS NEGOTIATORS, THEY WILL USE THEIR

IMPRESSIVE FINANCIAL RESOURCES IN SUPPORT OF EFFORTS TO RESOLVE MIDDLE EAST ISSUES IN A SATISFACTORY MANNER. THE NEW RULERS MAY ASSUME A LESS RIGID POSITION ON BASIC ISSUES, SUCH AS THE STATUS OF JERUSALEM THAN DID FAYSAL. ON BALANCE, SAUDI INFLUENCE ON THE CONFRONTATION ARAB STATES WILL REMAIN SIGNIFICANT, ALTHOUGH PERHAPS SOMEWHAT DIMINISHED BY THE LOSS OF THE DOMINANT PERSONALITY OF KING FAYSAL.

16. ISRAEL. THE PARLIAMENTARY STRENGTH OF THE RABIN GOVERNMENT WAS INCREASED SOMEWHAT WHEN THE NATIONAL RELIGIOUS PARTY JOINED THE COALITION A FEW MONTHS AGO. STILL, THE GOVERNMENT'S ABILITY TO SHOW NEGOTIATING FLEXIBILITY VIS-A-VIS THE ARABS REMAINS SIGNIFICANTLY

SUSPENSION OF SECRETARY KISSINGERS' STEP-BY-STEP APPROACH TO NEGOTIATIONS REFLECTS THE DIFFICULTIES INHERENT IN RECONCILING ISRAEL'S NEED FOR AN ACCEPTABLE EGYPTIAN COMMITMENT TO ABANDON WAR IN EXCHANGE FOR FURTHER SUB-  
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STANTIAL ISRAELI WITHDRAWAL IN SINAI.

17. THE ISRAELIS CONTINUE TO DESIRE A NEGOTIATED PEACE SETTLEMENT BUT ARE DETERMINED THAT ISRAEL'S SECURITY NOT BE JEOPARDIZED IN THE PROCESS. WHILE ISRAEL DOES NOT WANT WAR, IT WILL ASSURE THAT ITS MILITARY IS IN A HIGH STATE OF PREPAREDNESS IN THE EVENT THAT FIGHTING RESUMES. ISRAEL STILL VIEWS ITS DEFENSE FORCES AS THE PARAMOUNT DETERRENT TO WOULD-BE ARAB AGGRESSORS.

18. LEBANON. A DISTURBING FACTOR FOR LEBANESE INTERNAL SECURITY WAS THE PARTICIPATION OF FEDAYEEN ELEMENTS IN THE RECENT DISTURBANCES IN THE TOWN OF SIDON. A DEMONSTRATION BY LEBANESE FISHERMEN OVER ECONOMIC ISSUES ERUPTED INTO A MAJOR CLASH BETWEEN THE LEBANESE ARMY AND PALESTINIAN AND LEFTIST LEBANESE ARMED ELEMENTS. IN THE CLASHES, FEDAYEEN OF VARIOUS ORGANIZATIONS JOINED WITH LEFTIST LEBANESE, INDICATING A GROWING RELATIONSHIP BETWEEN THE TWO. ALTHOUGH MODERATE FEDAYEEN LEADERS ATTEMPTED TO CONTROL THEIR FOLLOWERS WHEN THE DISTURBANCES GOT OUT OF HAND, THEY HAD GREAT DIFFICULTY IN SO DOING. THIS SITUATION COULD HERALD A DANGEROUS ALIGNMENT WHICH THE LEBANESE GOVERNMENT WILL HAVE TROUBLE DEALING WITH IN THE FUTURE.

B. THE PALESTINE PROBLEM

19. DURING THE RECENT MIDDLE EAST NEGOTIATIONS, THE PLO WAS DEEPLY CONCERNED THAT A SECOND-STAGE SINAI DISENGAGE-

MENT WOULD SPLIT THE ARAB STATES, DIMINISHING THE JOINT ARAB POLITICAL SUPPORT UPON WHICH THEY DEPEND. AS A RESULT, THE PLO ACCEPTED SYRIAN OVERTURES MADE ON MARCH 8 FOR JOINT MILITARY/POLITICAL COMMANDS, IN ORDER TO TIE MORE FIRMLY THEIR POLITICAL OBJECTIVES TO THOSE OF AT LEAST ONE OF THE CONFRONTATION STATES. THE PLO REALIZED THAT IT COULD LOSE ITS FLEXIBILITY AND INDEPENDENCE BY

BECOMING A JUNIOR PARTNER IN A JOINT COMMAND WITH SYRIA, BUT THE POSSIBLE ISOLATION INHERENT IN ANOTHER EGYPTIAN-ISRAELI AGREEMENT NECESSITATES SUCH A MOVE.

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20. THE MODERATE LEADERSHIP OF THE PLO, WHILE DESIREOUS OF PARTICIPATING IN A RECONVENED GENEVA CONFERENCE, CONTINUES TO BE CONCERNED OVER THE TERMS UNDER WHICH IT IS INVITED. THE PLO MAY PRESS AT FIRST FOR AN INDEPENDENT DELEGATION, BUT WILL PROBABLY ACCEPT A ROLE AS PART OF A SYRIAN, ARAB LEAGUE, OR JOINT ARAB DELEGATION. IT IS POSSIBLE THAT THE PLO WILL ALSO DEMAND AN AMENDMENT TO UN SECURITY COUNCIL RESOLUTIONS 242 AND 338, RECOGNIZING THE PALESTINIANS HAVE NATIONAL RIGHTS AND ARE NOT MERELY REFUGEES. THE SOVIET UNION MAY BACK SUCH A GAMBIT BY THE PLO. NEVERTHELESS, 'ARAFAT HAS, FOR THE MOMENT, EMBARKED UPON A CAMPAIGN TO EXPLAIN THE MODERATE PALESTINIAN POSITION TO INFLUENTIAL WESTERN POLITICIANS AND MEDIA FIGURES.

21. 'ARAFAT HAD MISBAH BUDAYRI REPLACED AS COMMANDER OF THE PALESTINE LIBERATION ARMY (PLA) IN MID-MARCH AFTER THEIR DIFFERENCES SURFACED IN THE BEIRUT PRESS. THE NEW COMMANDER OF THE PLA, MAHMUD AZZAM, IS A FORMER SYRIAN GENERAL AND A MEMBER OF THE BA'TH PARTY OF SYRIA. ALTHOUGH THERE WILL NOW BE A GREATER APPEARANCE OF COOPERATION BETWEEN THE PLA AND PLO POLITICAL LEADERS, 'ARAFAT'S CONTROL OVER THE PLA WILL NOT INCREASE AS A RESULT OF THIS PERSONNEL CHANGE, AND PLA UNITS WILL REMAIN UNDER THE CONTROL OF THE STATES IN WHICH THEY ARE LOCATED.

22. FOR A PERIOD IN EARLY 1975, FEDAYEEN ACTIVITY IN SOUTHERN LEBANON INCREASED, AND A SERIES OF SHARP CLASHES WITH ISRAELI FORCES RESULTED. SINCE THEN, FEDAYEEN OPERATIONS HAVE BEEN CONFINED TO ACTS OF TERRORISM WITHIN ISRAEL AND THE OCCUPIED TERRITORIES, SUCH AS THE ATTACK ON THE SAVOY HOTEL IN TEL AVIV ON MARCH 5. A HEATING UP OF THE LEBANESE BORDER BY THE FEDAYEEN CAN AGAIN BE EXPECTED IF DIPLOMATIC MOVEMENT FLAGS.

## II. RELATIONS WITH THE OUTSIDE WORLD

A. RELATIONS WITH THE WEST

23. NOT EVERY MIDDLE EAST AND NORTH AFRICAN COUNTRY IS AN  
IMPORTANT OIL PRODUCER, BUT ECONOMIC RELATIONS BETWEEN THE  
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STATES OF THE AREA AND THE WEST TEND TO BE DOMINATED BY

MATTERS RELATING TO PETROLEUM. THE EXCESS OF SUPPLY OVER  
DEMAND FOR OIL AT CURRENT PRICES, A PHENOMENON NOTED IN  
THE PREVIOUS SUBMISSION, HAS INCREASED. THIS HAS ALLAYED,  
TO SOME DEGREE, CONSUMER FEARS ABOUT THE AVAILABILITY OF  
OIL SUPPLIES AND HAS MADE THE PRODUCERS SOMEWHAT LESS  
MILITANT ABOUT PRICE, THUS CONTRIBUTING TO AN IMPROVEMENT  
IN THE OVERALL ATMOSPHERE OF RELATIONS BETWEEN THE ARAB  
OIL STATES AND THE WEST.

24. THE UPCOMING CONFERENCE OF OIL-PRODUCING AND CONSUM-  
ING NATIONS, PROPOSED BY FRANCE, WILL PROBABLY HAVE AN  
IMPORTANT EFFECT ON THE FUTURE COURSE OF RELATIONS BETWEEN  
THE STATES OF THE MIDDLE EAST AND NORTH AFRICA AND THE  
WEST. OTHER RAW MATERIALS, IN ADDITION TO OIL, MAY BE  
DISCUSSED AT THE CONFERENCE, AND SOME COUNTRIES, NOTABLY

ALGERIA IN ITS ROLE AS CHAMPION OF THE INTERESTS OF THE  
"THIRD WORLD", WISH TO USE THE OCCASION TO BEGIN RESTRUCT-  
URING THE ENTIRE RELATIONSHIP BETWEEN PRODUCERS OF RAW  
MATERIALS AND THE INDUSTRIALIZED NATIONS THAT PROCESS  
THESE RESOURCES. A PREPARATORY MEETING FOR THE CONFERENCE  
OPENED IN PARIS ON APRIL 7 AND THREE REGIONAL STATES --  
ALGERIA, IRAN, AND SAUDI ARABIA -- WERE REPRESENTED.

B. ECONOMIC RELATIONS WITH THE THIRD WORLD

25. FINANCIAL ASSISTANCE FLOWING FROM THE OIL-RICH STATES  
TO THE LDC'S IS PERHAPS THE MOST IMPORTANT ASPECT OF THE  
ECONOMIC RELATIONS BETWEEN THE TWO GROUPS OF COUNTRIES.  
WHILE THE MAGNITUDE OF THIS ASSISTANCE HAS BEEN CONSIDER-  
ABLE, IT HAS NOT BEEN ADEQUATE TO COMPENSATE FOR THE  
INCREASED COST OF PETROLEUM SUPPLIES. IT IS ESTIMATED TH  
THAT DURING 1974, SOME \$2.6 BILLION IN AID WAS TRANS-  
FERRED BY OPEC COUNTRIES TO LDC'S, WITH THE GREATEST PRO-  
PORTION OF THIS SUM, THOUGH OBVIOUSLY NOT ALL, COMING  
FROM MIDDLE EAST AND MAGHREB STATES. BY CONTRAST, THE  
INCREASE DURING THE YEAR IN THE COST TO LDC'S OF THEIR  
PETROLEUM SUPPLIES AS A RESULT OF OPEC PRICE DECISIONS IS  
ESTIMATED AT \$10 BILLION.

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26. NEVERTHELESS, DESPITE MUCH GRUMBLING (SUCH AS WAS REPORTED TO HAVE OCCURRED DURING THE OAU MEETING IN FEBRUARY) EVEN THE MOST ADVERSELY AFFECTIONED LDC'S HAVE GENERALLY REFRAINED FROM OPEN CRITICISM OF OIL PRICE INCREASES. THIS LACK OF REPSONSE ON THE PART OF LDC'S IS NO DOUBT ATTRIBUTABLE TO A VARIETY OF FACTORS, INCLUDING: FEAR OF OFFENDING AND DESIRE TO CURRY FAVOR WITH THE OIL-RICH STATES; SATISFACTION AT SEEING THE INDUSTRIALIZED

WEST DISCOMFITTED, HOWEVER MUCH THE LDC'S THEMSELVES MAY SUFFER IN THE BARGAIN; A SENSE OF THIRD-WORLD SOLIDARITY WITH THE OIL-PRODUCING NATIONS, MANY OF WHICH, ALTHOUGH RICH, REMAIN UNDERDEVELOPED; AND THE HOPE, AT LEAST AMONG THOSE LDC'S WITH NATURAL RESOURCES, THAT THEY CAN EMULATE OPEC'S SUCCESS IN SHARPLY INCREASING PRICES.

27. AMONG THE AREA STATES, ALGERIA, AS A LEADER OF THE "GROUP OF 77," HAS PLAYED A MAJOR ROLE IN EMPHASIZING THAT OIL-PRODUCING LDC'S SHOULD MAKE COMMON CAUSE AGAINST THE "COLONIALIST EXPLOITERS" OF THE INDUSTRIALIZED WEST. ALGERIA AND OTHER MIDDLE EAST AND MAGHREB COUNTRIES HAVE SUPPORTED THE PRINCIPLE THAT ALL RAW MATERIALS, NOT OIL ALONE, SHOULD BE DISCUSSED AT ANY CONFERENCE OF PRODUCERS AND CONSUMERS AND THAT RELATIONS BETWEEN THE TWO GROUPS SHOULD BE FUNDAMENTALLY ALTERED AFTER YEARS OF UNFAIR ADVANTAGE FOR THE WEST. THE PROMULGATION OR ACCEPTANCE, EVEN BY SOME OF THE MORE CONSERVATIVE AREA REGIMES, OF POSITIONS OF THIS SORT HAS HELPED PRESERVE GOOD RELATIONS WITH LDC'S, EVEN IN THE FACE OF MANY APPARENT DIVERGENCIES OF INTEREST

C. RELATIONS WITH COMMUNIST WORLD

28. LONG-TERM SOVIET OBJECTIVES IN THE MIDDLE EAST HAVE NOT CHANGED, BUT EVENTS OF THE PAST YEAR SHOW THAT MOSCOW SEES ITS INTERESTS BETTER SERVED BY BALANCING ITS MANY CONFLICTING CONCERN'S THAN BY RISKING A DETERMINED EFFORT TO GAIN A SPECIFIC, BUT DISTANT, GOAL. HAVING ESTABLISHED ITS CONSIDERABLE PRESENCE IN THE AREA BY EXPLOITING

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THE ARAB CONFRONTATION WITH ISRAEL, THE USSR IS PERIODICALLY OBLIGED TO STOP SHORT OF SATISFYING MAXIMUM ARAB EXPECTATIONS, EVEN AT THE COST OF DAMAGING TIES WITH

SOME ARAB STATES, ENDANGERING ITS HUGE INVESTMENT IN MILITARY AND ECONOMIC AID, AND ERODING ITS INFLUENCE AND PRESTIGE. NEITHER PRESSURE NOR CONCESSIONS, MOREOVER, HAVE PROVED SATISFACTORY TO ENSURE COMPLIANCE BY "CLIENT STATES" DETERMINED TO PURSUE AN INDEPENDENT POLICY.

29. THE MILITARY EQUIPMENT SUPPLIED BY THE USSR, WHICH MADE POSSIBLE THE ARAB MILITARY SUCCESSES IN THE OCTOBER 1973 WAR, DID NOT PROVIDE THE USSR WITH INCREASED OR EVEN STABLE INFLUENCE IN THE MIDDLE EAST. IN FACT, ITS FAILURE TO REPLACE SOME OF EGYPT'S WEAPONS LOSSES AROUSED THE CONCERN OF EGYPTIAN MILITARY LEADERS BUT FAILED TO MAKE SADAT MORE RESPONSIVE TO SOVIET ADVICE IN HIS SEARCH FOR A POLITICAL SETTLEMENT. THE APPLICATION OF SOVIET PRESSURE, HOWEVER, REMINDED THE ARAB RECIPIENTS OF SOVIET AID THAT THEY CONTINUED TO LACK, FOR THE TIME BEING, THE CAPABILITY TO PURSUE THEIR POLITICAL OBJECTIVES BY MILITARY MEANS WITHOUT TAKING SOVIET INTERESTS INTO ACCOUNT. MOSCOW ALSO RETAINED SOME ABILITY TO EXERT INFLUENCE BY PLACING EGYPT AT A DISADVANTAGE COMPARED TO OTHER ARAB RECIPIENTS OF SOVIET

AID, PARTICULARLY SYRIA AND IRAQ, WHO CONTINUED TO RECEIVE HIGH LEVELS OF ASSISTANCE.

30. SOVIET-EGYPTIAN DIFFICULTIES CULMINATED IN THE SOVIET DECISION TO POSTPONE BREZHNEV'S SCHEDULED VISIT TO CAIRO IN JANUARY. THE EFFORTS BY BOTH SIDES TO SMOOTH OVER THEIR DIFFERENCES IN PUBLIC, AND BREZHNEV'S APPARENT INTENTION TO RESCHEDULE THE TRIP FOR A LATER DATE SUGGESTED THAT NEITHER WANTED A BREAK AND THAT MOSCOW WOULD SEEK TO REPAIR THE DAMAGE. SADAT'S CONTINUED PUBLIC DISCUSSION OF HIS DISAGREEMENTS WITH THE USSR, HOWEVER, DID NOT MAKE MOSCOW'S TASK EASIER AND THE EPISODE REFLECTED, IN GENERAL, AN EROSION OF SOVIET INFLUENCE IN THE MIDDLE EAST.

31. THERE HAS BEEN LITTLE INDICATION THAT MOSCOW  
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REGARDED OTHER ARAB STATES AS A SUBSTITUTE FOR EGYPT AS A CHIEF TOUCHSTONE OF ITS MIDDLE EAST POLICY, DESPITE LARGE-SCALE ARMS SHIPMENTS TO SYRIA, PARTICULARLY, AND IRAQ. SYRIA HAS REPEATEDLY DEMONSTRATED ITS INTENTION TO RETAIN FREEDOM OF ACTION, ALTHOUGH HAVING A COMMON POSITION ON MANY ISSUES FOR ITS OWN REASONS, AND THE IRAQI ACCORD WITH IRAN ENDING THE KURDISH WAR WILL PROBABLY LESSEN BAGHDAD'S DEPENDENCE ON MOSCOW.

32. THE USSR IS SEEMINGLY GRATIFIED THAT EVENTS ARE

RAPIDLY LEADING TO AN EARLY RETURN OF MIDDLE EAST NEGOTIATIONS TO GENEVA. AS CO-CHAIRMAN, IT WOULD EXPECT TO BE IN A BETTER POSITION TO INFLUENCE DEVELOPMENTS AND TO REGAIN ITS FORMER POSITION IN THE MIDDLE EAST BY OFFERING STRONG SUPPORT FOR THE ARAB CAUSE WHILE PLAYING ON STRONG US SUPPORT FOR ISRAEL.

D. EFFECTS OF REOPENING THE SUEZ CANAL

33. REOPENING THE SUEZ CANAL WILL ADD TO THE FLEXIBILITY OF THE SOVIET FLEET AND WILL SHORTEN SOME OF ITS LINES OF COMMUNICATION. THIS MAY TEND TO INCREASE, TO SOME DEGREE, SOVIET ABILITY TO EXERCISE INFLUENCE IN THE INDIAN OCEAN AREA.

34. ECONOMICALLY, THE EFFECT IS NOT LIKELY TO BE OF MAJOR SIGNIFICANCE EITHER FOR WESTERN EUROPE OR THE SOVIET UNION. SHIPPING RATES MAY DECLINE SOMEWHAT, BUT THESE ARE ALREADY AT DEPRESSED LEVELS. BECAUSE OF THE ACCUMULATION OF SILT, THE MAXIMUM DRAFT OF THE SHIPS THAT WILL INITIALLY BE ABLE TO TRANSIT THE CANAL WILL BE LESS THAN BEFORE

CLOSURE, PROBABLY 35 FEET INSTEAD OF 38.

35. WITH RESPECT TO ARAB-ISRAELI ISSUES, PRESIDENT SADAT'S MARCH 29 ANNOUNCEMENT THAT HE INTENDED TO REOPEN THE CANAL CAN BE VIEWED AS A POSITIVE STEP. SADAT HAD PREVIOUSLY HINTED THAT A FURTHER ISRAELI WITHDRAWAL WOULD BE REQUIRED BEFORE HE COULD PERMIT REOPENING OF THE WATERWAY. SADAT EMPHASIZED, HOWEVER, CONFIDENTIAL

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THAT HIS MILITARY OPTIONS WOULD NOT BE CONSTRAINED BY THIS ACTION.

III. DOMESTIC PROBLEMS

A. THE MAGHREB

36. WITH THE REFERRAL OF THE SPANISH SAHARA QUESTION TO THE INTERNATIONAL COURT OF JUSTICE, THE MOST NETTLE-SOME PROBLEM INVOLVING THE MAGHREB IS TEMPORARILY ON THE BACK BURNER. AS PART OF ITS CAMPAIGN TO GAIN LEVERAGE OVER SPAIN ON THE SAHARA MATTER, HOWEVER, MOROCCO REKINDLED THE ISSUE OF THE SPANISH ENCLAVES OF CEUTA AND MELILLA. SPAIN'S SHOW OF FORCE IN RESPONSE TO MOROCCAN AGITATION OVER THE ENCLAVES COMPELLED MOROCCO TO BACK AWAY SOMEWHAT FROM THE BRINK.

37. THE HOLDING OF THE ARAB LEAGUE SUMMIT CONFERENCE IN RABAT LAST OCTOBER, AND OF A GROUP OF 77 MEETING AND AN OPEC SUMMIT IN ALGIERS IN FEBRUARY AND MARCH RESPECTIVELY FOCUSED WORLD ATTENTION ON THE MAGHREB. IN THE EYES OF MAGHREB LEADERS, THESE EVENTS EMPHASIZED THE IMPORTANCE OF THAT AREA IN GLOBAL AND THIRD-WORLD POLITICS.

38. TUNISIA. THERE IS CONCERN IN TUNISIA, AND AMONG ITS NEIGHBORS, ABOUT WHAT WILL HAPPEN IN TUNISIA IF THE AILING BOURGUIBA SHOULD SOON PASS FROM THE SCENE. DESPITE QADHAFI'S VISIT TO TUNIS IN MARCH, THERE ARE NO SIGNS THAT THE TUNISIAN GOVERNMENT INTENDS TO IMPL-

MENT THE L974 DJERBA AGREEMENT CALLING FOR THE UNIFICATION OF LIBYA AND TUNISIA.

39. ALGERIA. ALGERIA'S BOUMEDIENE HAS GAINED STATURE AMONG ARAB LEADERS AND SEEMS EMBARKED ON A CAMPAIGN TO INCREASE ALGERIA'S INFLUENCE IN THE THIRD WORLD BY ESPousing THE CAUSE OF THE DEVELOPING COUNTRIES IN DIPLOMATIC AND ECONOMIC CONFRONTATION WITH THE DEVELOPED NATIONS. HIS MEDIATION OF IRANIAN-IRAQI DIFFERENCES, RESULTING IN THE ALGIERS ACCORD ON MARCH 6, IS THE MOST SUCCESSFUL EFFORT IN HIS NEW ROLE.

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40. MOROCCO. KING HASSAN'S STRUGGLE WITH SPAIN OVER THE SAHARAN TERRITORY IS POPULAR DOMESTICALLY. IN EARLY MARCH, HE ANNOUNCED THAT ELECTIONS WOULD BE POSTPONED INDEFINITELY. THERE HAS BEEN NO GREAT OUTCRY AGAINST THE POSTPONEMENT AND, ON THE SURFACE AT LEAST, THE POLITICAL SITUATION IN THE KINGDOM IS CALM.

41. LIBYA. LIBYA'S RELATIONS WITH EGYPT REMAIN COOL AS DEMONSTRATED BY THE REPORTED BANNING OF CAIRO NEWS-PAPERS AND A SCATHING LIBYAN PRESS ATTACK ON SADAT IN FEBRUARY. LIBYA'S RELATIONS WITH MOROCCO, HOWEVER, IMPROVED WITH THE RECENT APPOINTMENT OF A LIBYAN AMBASSADOR TO RABAT. QADHAFI'S REGIME EXPERIENCED PROBLEMS WITH LIBYAN YOUTH IN FEBRUARY AND MARCH OVER THE GOVERNMENT'S EFFORTS TO IMPOSE COMPULSORY MILITARY TRAINING LAWS ON UNIVERSITY STUDENTS.

42. THE ISRAELI GOVERNMENT HAS REVEALED PUBLICLY SOME DETAILS OF THE EXTENT OF RECENT SOVIET ARMS SHIPMENTS TO LIBYA, CITING DELIVERIES OF MIGH-23'S, SAM-6'S, T-62 TANKS, AND ANTI-TANK MISSILES.

D. THE SITUATION IN IRAQ

43. THE MARCH 6 ALGIERS ACCORD BETWEEN IRAQ AND IRAN SET THE STAGE FOR A SUDDEN AND DECISIVE END TO THE KURDISH INSURGENCY IN NORTHERN IRAQ. IN RETURN FOR IRAN'S WITHDRAWAL OF SUPPORT FOR THE KURDS, IRAQ AGREED TO SETTLE THE SHATT AL-ARAB BOUNDARY DISPUTE ON IRAN'S TERMS. THE PACT ALSO MINIMIZED THE POSSIBILITY OF IRAQI-IRANIAN DIFFERENCES ERUPTING INTO ARMED HOSTILITIES.

44. IRAQI STRONGMAN SADDAM HUSAYN AL-TIKRITI TOOK A

CONSIDERABLE RISK IN ACCEPTING THE THALWEG PRINCIPLE AS THE BASIS FOR SOLVING THE SHATT AL-ARAB ISSUE. ALTHOUGH HIS KURDISH POLICY WAS CRITICIZED WITHIN THE BA'THI LEADERSHIP, HIS RECOGNITION OF IRAN'S RIVER BORDER CLAIM WILL PROVIDE AMMUNITION FOR HIS OPPONENTS.

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45. SADDAM HUSAYN WAS DETERMINED, HOWEVER, TO END THE LONG CONFLICT WITH THE KURDS BECAUSE OF ITS CORROSIVE EFFECT ON THE ARMY'S MORALE AND LOYALTY TO HIS REGIME. PREOCCUPATION WITH THE KURDISH PROBLEM PREVENTED HIM FROM DEVOTING SUFFICIENT ATTENTION TO PRESSING ECONOMIC DEVELOPMENT PLANS AND THE NEED TO CONSOLIDATE HIS POSITION IN CASE THE SERIOUSLY ILL PRESIDENT BAKR DIES. SADDAM HUSAYN ALSO APPARENTLY FELT THAT HIS REGIME'S DEPENDENCE ON THE USSR WOULD LESSEN IF THE THREAT OF HOSTILITIES WITH IRAN WERE EASED.

46. IRAN. IRAN, WHICH BECAME A ONE-PARTY STATE IN MARCH, CONTINUES TO MAKE RAPID PROGRESS IN DEVELOPING ITS ECONOMIC AND MILITARY CAPABILITY. IT IS COMMITTED TO PLAYING A STRONG ROLE IN THE DEFENSE OF THE AREA AND IS CURRENTLY ASSISTING THE OMANI GOVERNMENT IN OPERATIONS AGAINST THE SOUTH YEMEN-BACKED REBELS IN DHOFAR. IN THE EAST, IRAN IS COMMITTED TO SUPPORT THE INTEGRITY OF PAKISTAN. THE IRANIANS HAVE MADE REMARKABLE PROGRESS IN COMPOSING THEIR DIFFERENCES WITH THE ARABS, MOST NOTABLY THROUGH THE RECENT AGREEMENT WITH IRAQ. RELATIONS WITH EGYPT, WHICH HAVE WARMED SINCE THE ADVENT OF SADAT, CONTINUE TO IMPROVE.

#### D. COUNTRIES OF THE ARABIAN PENINSULA

47. SAUDI ARABIA. SAUDI ARABIA'S SECURITY PROSPECTS APPEAR TO BE VERY GOOD. OIL INCOME HAS ENABLED THE SAUDIS TO EXPAND SOCIAL WELFARE AND DEVELOPMENT PROGRAMS, AND THERE ARE NO INDICATIONS OF SERIOUS

DISCONTENT. THE FORM OF ISLAM PRACTICED IN SAUDI ARABIA, WHILE IT INCLUDES SOME FRUSTRATING FEATURES TO THE GROWING MIDDLE CLASS AND YOUNGER, EDUCATED SAUDIS, PROVIDES A CONSERVATIVE FRAMEWORK FOR THE SLOW EVOLUTION

OF ITS MODERNIZING SOCIETY. IN THE LONG TERM, HOWEVER, THE GREATEST POTENTIAL THREAT TO STABILITY IS LIKELY TO BE THE GRADUAL EROSION OF THE REGIME'S AUTHORITY THROUGH FAILURE TO DEAL EFFECTIVELY WITH THE PRESSURES GENERATED BY THE MODERNIZATION PROCESS.

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48. THE ASSASSINATION OF KING FAYSAL ON MARCH 25 AND THE ASSUMPTION OF POWER BY KING KHALID AND CROWN PRINCE FAHD HAVE DISPELLED MANY DOUBTS AS TO THE ROYAL FAMILY'S ABILITY TO EFFECT A TRANSFER OF POWER WITHOUT DEBILITATING INFIGHTING. ALTHOUGH THE NEW RULERS HAVE YET TO PROVE THEIR ABILITIES OR TO DEMONSTRATE THEIR INTENTIONS, THERE IS LITTLE REASON TO DOUBT THEIR CAPABILITIES OR TO BELIEVE THEY WILL DRASTICALLY ALTER CURRENT SAUDI POLICIES.

49. THE INTERNAL SECURITY SYSTEM IS INADEQUATE AND SAUDI ARABIA IS VULNERABLE TO TERRORIST ACTIVITIES. OIL AND OTHER INSTALLATIONS ARE INVITING TARGETS. IN

SUCH A LARGE COUNTRY IT WOULD BE DIFFICULT TO PREVENT TERRORISM. SPECTACULAR TERRORIST STRIKES, HOWEVER, WOULD POSE LITTLE THREAT TO THE STABILITY OF THE MONARCHY.

50. THE GULF STATES. PROSPECTS FOR STABILITY IN THE PERSIAN GULF STATES APPEAR TO BE GOOD. MODERATES WERE SUCCESSFUL IN THE KUWAIT GENERAL ELECTION. THE UNION OF ARAB EMIRATES HAS NOT DISINTEGRATED, BUT SEEMS TO GROW STRONGER. THE LARGE AL-THANI FAMILY SEEMS TO BE IN FIRM CONTROL OF QATAR. IN SPITE OF BAHRAIN'S SHAKY START WITH ITS NEW PARLIAMENT AND CURRENT LABOR UNREST, OPPONENTS OF THE PRESENT GOVERNMENT APPEAR WEAK AND UNABLE TO CHALLENGE THE AUTHORITY OF THE AMIR, HIS FAMILY, AND SUPPORTERS. HOWEVER, BAHRAIN REMAINS THE MOST UNSTABLE OF THE GULF STATES.

51. OMAN. ALTHOUGH THE OMANIS ARE EXPERIENCING SUCCESS IN SUPPRESSING THE REBELLION IN DHUFAR, CONTINUED ASSISTANCE TO THE REBELS FROM THE PEOPLE'S DEMOCRATIC REPUBLIC OF YEMEN HAS PREVENTED A COMPLETE REBEL COLLAPSE. A SEVERE FINANCIAL CRISIS, HOWEVER, NOW APPEARS TO BE THE GREATEST THREAT TO OMANI STABILITY.

52. THE YEMENS. THE MARXIST-ORIENTED PEOPLE'S  
DEMOCRATIC REPUBLIC OF YEMEN, IN ADDITION TO ITS CON-  
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TINUING CONFLICT WITH OMAN, PROMOTES SUBVERSION IN  
ITS NORTHERN NEIGHBOR, THE YEMEN ARAB REPUBLIC. THIS  
ACTION IS RECIPROCATED. EACH OF THE YEMENS FEARS  
ATTACK FROM THE OTHER, BUT NEITHER IS INTERESTED IN AN  
ALL-OUT WAR.

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